APPENDIX A.

(Letter received by the Bank before any loan was made to bankrupt.)

AMERICAN BOND & SHARE CORPORATION
Investment Securities
William-Oliver Building
Atlanta, Ga.

September 8th, 1933.

Office of
President

Mr. Ryburn G. Clay, President
The Fulton National Bank,
Atlanta, Georgia

Dear Mr. Clay:

During the past week two prospective clients have made inquiries at your Bank in regard to the standing of this Company.

In each instance, these people have been told by some official of the Bank that they knew very little about the American Bond & Share Corporation. In one case, the client was advised that the Fulton Bank had repeatedly asked us for information concerning our company and that they could not secure any data whatsoever from us.

We are also informed by these people that, in each case, the Bank informed them that our business was very hazardous and speculative and that if they were going to trade in stocks and bonds that the Bank saw no reason why they should not do their own trading. You, no doubt, are quite familiar with the cases of people who have attempted to trade on the stock market and lost a great deal of money. This is mainly due to the fact that they lacked

the facilities for securing the necessary information, the proper amount of time to devote to trading and also were deficient in the specialized training in market operations which is usually a prerequisite to success.

In connection with our Trading Syndicate accounts, we wish to call your attention to the results which we have accomplished over a period of the last eight months. The following table of net percentages on the principal which have been earned and paid to our Syndicate participants, over the stated period, would appear to be prima facie evidence of our ability to trade the market intelligently and profitably. Your attention is invited to the fact that the total of these earnings exceeded the Dow-Jones average for the period.

1933	Net Percentage Paid
January	20.24
February	10.12
March	14.72
April	17.02
May	11.04
June	10.58
July	6.44
August	8.28
(Average per month over a period of eight months)	12.30½

We, of course, realize the position in which a Bank is placed by an inquiry of this nature and we could neither ask nor expect any Bank to definitely recommend to a customer that he engage in a speculative enterprise of this nature. We do feel, however, that you can conscientiously inform the inquirer that our relations with you have been entirely satisfactory and that to your knowledge we have been unusually successful in our operations during the past few months.

This letter is being written for the purpose of bringing to your attention a condition which we believe has existed without your knowledge or sanction and we sincerely hope that the matter may be clarified without serious inconvenience to you.

Very truly yours,

AMERICAN BOND & SHARE CORPORATION,

(S) B. R. BRADLEY,

President.

BRB:w

APPENDIX B.

Additional Evidence of Bank's Notice of Fraud.

Very significant portions of the evidence were entirely overlooked or ignored by the Court, and such of it as was mentioned seems to us to have been treated with the same indulgence which prompted the Court's designation of bankrupt's false claim of earnings as "*exaggerated.*"

The Court below does not even mention an extraordinary letter of February 21, 1934, preceding the transfers to secure the last three loans (Exhibit 1 to this Appendix B) written by Bradley to the Bank, in reply to the Bank's inquiry for information about Bradley. In that letter Bradley himself informed the Bank that he was an impostor. The Bank, in reading it, could not have failed to conclude with practical certainty that the claims made in his September, 1933 letter were false and that Bradley was an unmitigated fraud. Contradicting the claims of his earlier letter that he was a financial genius of great experience in stock trading, the second letter clearly indicated that he had no real experience, and certainly no real success, in dealing in securities. On the contrary, he informed the Bank that he had followed the races at various tracks, had participated in various promotions throughout the country, apparently unsuccessful, and had engaged in many miscellaneous occupations (operating a vaudeville theatre, conducting a fish business, running a hotel, selling real estate, etc.) at various places. The Bank's president did believe the contents of the second letter, and well summarized its contents in a letter to a correspondent bank, on April 23, 1934, the day before he made the fourth loan:

> "There has been a *great deal of adverse criticism* regarding Mr. Bradley and we had him give us his entire life history. He has been in practically every

kind of business from oil to horse racing and most of his ventures have been unsuccessful." (Emphasis supplied.)[a]

Inasmuch as the complete text of Bradley's long letter was set out in the record (R. 449-454) and inasmuch as the Trustee's brief laid emphasis upon this letter, it is difficult to understand the unequivocal statement of the Court (R. 982) that, "so far as the record shows," "no new fact or report" came into the Bank's possession before the fifth and sixth loans in addition to that in the Bank's possession when it made the *second, third* and fourth loans. The Court's statement can only be understood by assuming that it overlooked this vitally important evidence which as to the last three loans is conclusive against the Bank on the question of notice.[b]

On December 22, 1933, following the first loan, the Bank's finance committee, as its minutes record, raised the questions "who Bradley is" and "if the securities are legally held" (R. 244). On the same day the Bank's credit manager, knowing from former correspondence that Irving Trust Company was making an investigation of Bradley, wrote Irving Trust Company, saying that "there seems to exist in the minds of some a question as to Mr. Bradley's former connections and activities before coming to Atlanta" and asking for the "results of your investigation" (R. 445-446). On December 28, 1933, Irving Trust

[a] The Court below dismisses the Bank's knowledge of *"a great deal of adverse criticism"* of Bradley as being without significance, where he was "otherwise enjoying a good reputation in his community"—an assumption made by the court without the slightest foundation in the record upon which to base such an assumption.

[b] In this connection the Court adds that the proceeds of the fifth and sixth loans were *"apparently"* employed in "trading on the open market" (R. 982-983). Obviously this is a mere speculation of the Court, and there is not the slightest basis anywhere in the record to support the Court's assumption. Even the Bank itself did not contend that the proceeds of these two loans were used in "trading on the open market" (R. 184).

Company replied, giving the following information, not on its letterhead but *on an unsigned sheet of paper* (R. 238):

> "We have been informed that the past activities of Mr. B. have come under criticism on numerous occasions. Our informants believe that caution should be exercised."[c]

The Bank's Finance Committee on January 2, 1934, in condemning the first loan, refers to "recent unfavorable information" obtained; and again on February 7, between the third and the fourth loans, the Finance Committee's minutes refer to "further unfavorable information" (R. 244).

It was not disputed that the Bank knew the mechanics of bankrupt's operations (R. 407); that it had procured from bankrupt specimens of its contracts with its depositors (R. 255); that the bankrupt had just started in business under Bradley's management (R. 467); that the bankrupt was dominated by Bradley (R. 436); that Bradley was a newcomer in Atlanta (R. 468) and the Bank had been unable to learn anything concerning his antecedents before coming to Atlanta (R. 671); that the bankrupt was actively soliciting deposits in Atlanta and in adjacent rural areas (R. 432, 437); that the Bank had reports that the bankrupt had little financial worth (R. 444, 439-440); and that bankrupt refused to furnish Dun & Bradstreet a financial statement (R. 445), which fact the Bank's credit

[c] Although the letter from the Irving Trust Company accompanying this unsigned sheet stated, *"It was obtained from sources deemed reliable"* (R. 447), the court below dismissed this evidence of notice to the Bank of bankrupt's fraud as being of no significance, for the reason that it "suggests" that Irving Trust Company did not know of "any particular fraudulent transaction" in which Bradley had been involved (R. 981). The court ignored the fact that the Bank requested only the "results" of Irving Trust Company's investigation, and did not request information as to "particular fraudulent transactions" (R. 446). *Detailed proof of fraud certainly is not necessary to give rise to a ground for reasonable suspicion.*

manager testified did not indicate a "healthy situation" (R. 674).

There is a most important *omission* in the Bank's testimony, to which the Court makes no reference whatever. Before making the first loan, the Bank's president had conferred "on several occasions" with bankrupt's broker, Livingston & Company, for the specific purpose of discussing with it proposed loans to bankrupt (R. 876-877). If the testimony of the Bank's president leaves any question as to the time when these conferences took place, the chairman of the Bank's finance committee testified that access to the true facts was "easily" available to the Bank through Livingston & Company (R. 827). Livingston & Company knew of the substantial losses theretofore sustained by bankrupt (R. 265). In the absence of evidence as to what the Bank learned from Livingston, the natural inference is that it learned the truth[a] that the bankrupt had sustained heavy losses, not the fabulous profits claimed—and that the Bank, therefore, before the first loan was made, had actual *knowledge that bankrupt's claims of earnings were utterly false*, and *not suspicion that they were "exaggerated."*

Of importance also is the fact that when the Bank eventually consulted its attorney the loans were promptly called upon receipt of the attorney's opinion (R. 929-930). That opinion was not introduced in evidence.

Against this evidence establishing, as the Court concedes, that the Bank suspected the falsity of bankrupt's enormous claims, the Court summarized the evidence which it considered "favorable" to the Bank: Bankrupt had hundreds of depositors who seemed satisfied and no depositor had made a complaint, and that bankrupt paid

[a] "The production of weak evidence when strong is available, can lead only to the conclusion that the strong would have been adverse. . . . Silence then becomes evidence of the most convincing character." Stone, Ch. J., in *Interstate Circuit v. U. S.*, 306 U. S. 208, 226.

its bills promptly (R. 980-981);[e] bankrupt maintained an account with another bank and with brokers and enjoyed their confidence and the confidence of the community (R. 979, 981);[f] that the Bank had the report of a local credit reporting company, stating that Bradley, a newcomer in the community, was reputed to be worth $100,000.00, (which the Court concedes was disputed by a Dun & Bradstreet report held by the Bank that Bradley was worth only a "few thousand dollars" [R. 979]), and that bankrupt had a net worth of $5,000.00 (R. 467);[g] that the Bank had made a thorough investigation which resulted in no information constituting a ground for suspicion (R. 980);[h] and that in the spring or summer of 1933 Livingston & Company's representative introduced Bradley to the Bank, saying that Bradley was a shrewd trader who handled his accounts well (R. 978).[i]

[e] These were, of course, conditions absolutely essential to the conduct of a swindle of this type. The failure to observe them would have resulted in immediate collapse.

[f] There is no evidence whatever in the record that bankrupt "enjoyed the confidence" of another bank and brokers. The Bank produced no other banker or broker to testify that Bradley or bankrupt enjoyed its confidence. That bankrupt and Bradley were known to the Bank not to enjoy the confidence of the public is established by the letter of the Bank's president that "there had been a great deal of adverse criticism of Bradley" (R. 455).

[g] Bankrupt claimed to be earning fabulous profits for others, but, as stated in this report, was itself worth only $5,000.00. It is not clear just how the Court arrived at the conclusion that this report was "*especially complimentary*" to bankrupt. The reverse would seem to be true.

[h] The Bank's credit manager testified that he made a number of inquiries and received nothing favorable to Bradley, but did receive the warning from the Irving Trust Company set out (pp. 21-22) above (R. 671, 679).

[i] On March 2, 1933, Livingston & Company introduced Bradley to the Bank to enable Bradley to open a checking account (R. 974, 971). However, this was only two months after bankrupt began operations, approximately ten months before the first loan was made and several months before bankrupt sustained heavy losses in trading with Livingston & Company. The court, while calling attention to this

The Bank did not produce as a witness a single officer or employee who testified that he ever entertained an honest, though mistaken, belief in the truth of bankrupt's claims or that he actually thought bankrupt was dealing honestly with its depositors.

The Bank accepted the transfers in question as security for the loans made, not because it did not entertain the suspicions above suggested, but solely because, being presented with securities in "street" names, with values ample to margin the loans made by it, it was not concerned with whether bankrupt was using the money to conduct a business in fraud of customers. Mr. Clay, the Bank's president, testified that he made the loans, relying "solely and exclusively" upon the possession of good collateral (R. 890), with an ample margin of security (R. 878), that the Bank's finance committee suspected bankrupt's representations as to enormous profits (R. 894, 895), but *that he was not "concerned with whether he (Bradley) was making a profit for his clients or not. That was his clients' business, and not mine"* (R. 894).

March 2, 1933, conversation, wholly fails to call attention to Mr. Clay's failure to testify as to information learned months later when, preceding the making of the loans, he conferred with Livingston & Company on several occasions to determine whether the Bank would make the loans (see page 23, supra).

EXHIBIT 1 TO APPENDIX B.

(Letter received by the Bank between 3rd and 4th loans to bankrupt.)

AMERICAN BOND & SHARE CORPORATION
Investment Securities
William-Oliver Building
Atlanta, Ga.

February 21, 1934

Office of
President

Mr. Ryburn G. Clay, President,
The Fulton National Bank,
Atlanta, Georgia.

Dear Mr. Clay:

Pursuant to our conversation, held last Friday, February 16th, I will attempt to outline in the following paragraphs something of my background before entering business in Atlanta in the fall of 1932.

My father, John M. Bradley, oldest son of William E. Bradley, a direct descendant of William Bradley, Bradlee Castle, County Durham, England, was born in Breathitt County, Kentucky, in the year 1859. Upon reaching manhood, he was employed by the East Tennessee, Virginia, and Georgia Railroad, later becoming construction engineer of the Knoxville-Morristown division of that line.

At the suggestion of a very dear friend of his, Benjamin F. Roden, one of the early settlers of Birmingham, Alabama, he moved to that city in the year 1882 to construct a gas and light plant, later moving his family, then consisting of my Mother and two sisters, there. He became Superintendent and one of the major stockholders of a company known as the Consolidated Electric Light Company of Birmingham. This concern was later taken over by the

Ford, Bacon & Davis Company, of New York City. He continued on with the new company until the year 1910, at which time he retired from active business.

Born in the year 1865, my Mother, Angie M. Biddle, was the oldest daughter of John S. Biddle, of Limestone, Tennessee, then a merchant and the postmaster of the town. She is a second cousin of the Philadelphia Biddles (one of the foremost families of this country); also a first cousin of Bird Robinson, who is now President of the Short Line Railroad Association. Her brother, Will Biddle, was the owner of the Walla Walla Gum Company, of Knoxville, Tennessee, and interested in several other projects of importance in that section.

I am the oldest son of the aforesaid John M. and Angie Bradley and was born in Breathitt County, Kentucky, in 1889, while my Mother was visiting relatives in Kentucky.

I finished high school in the year 1906. Shortly after I ran away from home, going to New York City, where I secured employment with Mr. Alex May, who was a very close friend of my Father and who traded extensively in Wall Street at that time. I remained in New York with Mr. May until the spring of 1907, at which time I returned to Birmingham. Having, by that time, made quite a sum of money for a boy of my age, I felt that I should return in order to show them just how smart I was. I joined a Mr. Hambrick, Mr. Burnett and Mr. Gamble in building the first vaudeville and motion picture house, The Lyric Theatre, of any importance in Birmingham and very promptly lost most of my money.

I returned to New York in the early part of 1908 and again entered the employ of Mr. May as runner and later assumed charge of most of his Curb trading. I remained with Mr. May, with the exception of frequent visits to Alabama and Kentucky, until June, 1911, at which time I was married and went to the Pacific Coast on my honeymoon, remaining there until January, 1912. I then returned to

Birmingham and bought a one-third interest in the Metropolitan Hotel, in association with a Mr. Walter Bennett and a Mr. Robertson; about this time I also purchased a half interest in a stable of race horses. During this period I spent most of my time in New Orleans, Hot Springs, Ark., Louisville and Lexington, Kentucky—the circuit on which we were racing our horses at that time. I sold my interest in the horses in 1916 and returned to New York.

In New York again, I became interested in the promotion of a company known as the Fisheries Products Company. During this period I spent a substantial part of my time in the South. Due to its favorable location and for other reasons, I purchased a home in Atlanta at that time located at 814 N. Boulevard, where my family resided. I, of course, frequently joining them for short periods. I was connected with the financing of the Fisheries Products Company until we had completed the sale of its capital stock, at which time we turned the company over to the stockholders in splendid financial condition, with a Bradstreet rating of AAA No. 1. The company, under the management of its stockholders, later went into receivership and was liquidated.

In the summer of 1918, I became interested, with Bates and Burch Burnett, of Tulsa, Oklahoma, Silas M. Newton, of Richmond, Virginia and New York, A. L. Hawse, of Richmond, Virginia, and several other prominent people of Richmond, Virginia and New York, in several tracts of oil leases in the Cushing field in Oklahoma. We organized a company on the aforesaid leases, The Cushing Petroleum Corporation. This company was financed mostly by ourselves and a few close associates. The stock of this company was listed on the New York Curb Exchange and traded in until the break in oil stocks early in 1920, at which time most of the small oil companies and some of the major companies met with disaster.

I had no further connections of any importance other than trading in the market, which I have done continually

since 1906, until the fall of 1923, at which time I became interested, with J. B. Jeffries, in several land developments in Miami, Florida, namely Shoreland Company (Miami Shores) (Florida Muck Farms) and (Flagler Gardens). No doubt you are familiar with the history of the above.

I reestablished myself in New York in 1926, taking office quarters with Silas M. Newton at 150 Broadway, and became interested in the American Controlled Oil Field, in which Mr. Newton owned the controlling interest. I ran the market in this stock for about two years. Being unable to get the proper cooperation from officers of the company, I withdrew.

I then became interested in the Indiana Southwestern Gas & Utilities Corporation, investing a substantial sum of money in this project, which had made wonderful progress up to the break in the market in 1929. The company found itself in dire need of money and was forced to obtain additional financing. It undertook to secure the additional money through a brokerage house which was recommended by the Central Hanover Bank & Trust Company, said house being Guilbord-White & Company. The financing was being handled in such an amateurish and expensive manner that Mr. Newton clashed with Guilbord-White & Company as well as the Central Hanover Bank & Trust Company; the net result being that the Bank insisted on taking over the controlling interest or appointing a receiver. The Corporation is now in the hands of the Bank.

My next venture was the purchase of 66-⅔% of the capital stock of the Airvia Transportation Company. This company had been formed for the purpose of financing the Williams and Yancey flight to Rome, Italy, which flight, as you no doubt recall, was a success. The company then undertook to put into operation an air line from New York to Boston. Due to bad management, the company had fallen in a bad financial condition. It was at this time that I bought the aforesaid 66-⅔% of the stock, not having had

any previous connection with the company. I immediately reorganized the company, giving it a new name, Olympian Airways, the charter of which was granted in May, 1930. I was elected President of the Olympian Airways and commenced the operation of lines between New York and Boston; New York and Saratoga and New York and Atlantic City, which were operated until the latter part of 1930. Business conditions grew worse from month to month and we finally discontinued the operation entirely.

I had no further business connections in New York, other than my stock market trading, and left there in the early part of January, 1931, in search of some town or city which I thought might offer some business opportunity better than New York had to offer at that time. My trip carried me as far west as Los Angeles. I failed to find any town or community enroute that impressed me and finally decided to return to New York, coming back via the Southern route, stopping off in New Orleans and Atlanta. I was more impressed with business conditions here than I had been anywhere enroute and decided to make a careful survey of this section. I secured a security salesman's license under a concern known by the name of Milner & Company. I made no effort to sell securities and sold none under this license, however, it was necessary to have a license in order to discuss investment plans and opportunities with prospective clients and associates. I bought a car and covered the State of Georgia to assure myself of the possibilities and prospects of going into business in Atlanta.

I came in contact with several people throughout the State that had bought stock in the American Bond & Share Corporation, the company of which I am now President. On further investigation, I found the capitalization of the company to be 50,000 shares with 40,800 shares outstanding. After talking with Mr. C. R. Dawson, C. P. A., who had invested quite a sum of money in the aforesaid company, and having his assurance that the controlling

interest could be acquired, and that there were possibilities of building up a nice business in Atlanta, I spent some four months in acquiring a controlling interest in the American Bond & Share Corporation, assuming charge in September, 1932. The outstanding indebtedness of the company, amounting to about $6,900.00 was promptly liquidated and I set up my first trading account October 1st, 1932. The history of myself, as well as that of the company, since that time I am sure is familiar to you.

I have not been unaware of uncomplimentary rumors regarding me during the past year and trust that the above information, which can be readily authenticated, will serve to answer any questions which may arise in the premises.

Please accept my thanks for the many courtesies which you have extended me during the past several months.

Cordially yours,

(S.) B. R. Bradley.

BRB:w